

AMENDED IN SENATE MARCH 22, 2000

SENATE BILL

No. 1593

Introduced by Senator Alarcon

February 18, 2000

An act to add Chapter 6 (commencing with Section 50650) to Part 2 of Division 31 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1593, as amended, Alarcon. ~~Homeownership Assistance~~ *CalHome* Program.

Existing law contains various programs relating to housing assistance, including the Senior Citizens' Shared Housing Program, the California Self-Help Housing Program, and specified federal programs.

This bill would establish the ~~Homeownership Assistance~~ *CalHome* Program, to be administered by the Department of Housing and Community Development, ~~and local agencies by agreement with the department, to provide loans and grants for acquisition, construction, rehabilitation, and operation of housing and assistance to individual households, in conjunction with certain existing programs to provide funds to local public agencies or nonprofit corporations as either grants for programs that assist individual households or loans that assist multi-unit development projects.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 6 (commencing with Section 50650) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

CHAPTER 6. ~~HOMEOWNERSHIP ASSISTANCE~~ *CALHOME*
PROGRAM

50650. The Legislature finds and declares as follows:

(a) An adequate supply of safe and affordable housing is the foundation for strong and sustainable communities. Owner occupied housing is a key housing resource, contributing to neighborhood stability as well as economic vitality.

(b) In California, homeownership is beyond the reach of a large segment of the population. There are also many homeowners who lack the resources to make necessary repairs to their homes, or who would welcome the opportunity to share them with suitable tenants.

(c) Reflecting California's diversity, there is a variety of proven approaches to the promotion of homeownership within the state. The purpose of the ~~Homeownership—Assistance~~ *CalHome* Program established by this chapter is to support existing homeownership programs aimed at lower and very low income households and operated by private nonprofit and local government agencies, and thereby to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize use of existing homes.

50650.1. This chapter shall be known and may be cited as ~~the Homeownership Assistance Program (HAP):~~ as *the CalHome Program*.

50650.2. The department shall administer this chapter.

~~50650.3. For purposes of this chapter, "distressed area" means a community or neighborhood, including, but not limited to, an empowerment zone (26 U.S.C. Sec. 1392), an enterprise zone (Section 7073 of the~~

~~Government Code), an enterprise community (26 U.S.C. Sec. 1392), a redevelopment project area, a local agency military base recovery area (LAMBRA) (Section 7105 of the Government Code), or a qualified census tract (26 U.S.C. Sec. 42(d)(5)(C)(ii)), that suffers economic distress such as high unemployment or underemployment, low incomes, or persistent and concentrated poverty. Except as otherwise provided in this chapter, or unless the context requires otherwise, the definitions contained in Chapter 2 (commencing with Section 50050) shall apply to this chapter.~~

~~50650.4. Funds made available for the purposes of this chapter shall be known as Homeownership Assistance Program funds and shall be utilized for the following purposes:~~

~~(a) Grants for technical assistance, development cost write-downs, and predevelopment and land purchase costs of a nonprofit corporation that is assisted through the Habitat for Humanity program, administered by the federal Department of Housing and Urban Development or that is organized for the specific and primary purpose of building and rehabilitating housing for sale at no profit to low-income families, with financing in the form of a zero interest rate loan.~~

~~(b) Construction and permanent loans to households or housing being assisted through the Youthbuild program administered by the Department of Housing and Urban Development.~~

~~(c) Loans for the rehabilitation, or acquisition and rehabilitation, of substandard homes in distressed areas.~~

~~(d) Grants for technical assistance, development cost write-downs, and mortgage assistance for self-help housing. These grants shall be made pursuant to the California Self-Help Housing Program established pursuant to Chapter 7.5 (commencing with Section 50690).~~

~~(e) Grants for the operation of shared housing programs. These grants shall be made pursuant to the department's existing Senior Citizens' Shared Housing Program established by Chapter 3.6 (commencing with~~

~~Section 50533), subject to the special condition that the households to be assisted need not be senior citizens.~~

~~(f) Grants to entities receiving funds for homeownership activities under the state HOME program administered by the department as authorized by Chapter 16 (commencing with Section 50896). These grants shall supplement state HOME awards, and shall be used as loans for the same purposes as the HOME funds.~~

~~(g) Loans for the rehabilitation, or acquisition and rehabilitation, of housing being assisted by Neighborhood Housing Services or other Neighborworks programs supported by the Neighborhood Reinvestment Corporation (42 U.S.C. Sec. 8101 and following).~~

~~(h) Loans for construction, rehabilitation, or acquisition and rehabilitation, of homes to be controlled by residents as cooperatives or mutual housing.~~

~~(i) In the event of a conflict between this chapter and any of the aforementioned existing department programs, this chapter shall govern.~~

~~50650.5. (a) Loans made pursuant to subdivision (h) of Section 50650.4 shall be originated and serviced by the department.~~

~~(b) Loans made to individual households pursuant to subdivisions (b), (c), (f), and (g) of Section 50650.4 shall be originated by local agencies or nonprofit corporations pursuant to agreements between the department and the entities originating the loans. The department may use up to 5 percent of the funds appropriated for the purposes of this chapter to cover reasonable administrative costs incurred by the entities originating the loans. These loans may be serviced by either the department or the entities that originated the loans. To provide an incentive for quality servicing, the department may allow entities that service their loans to retain a portion of loan repayments.~~

~~(c) Grants made pursuant to subdivisions (d) and (e) of Section 50650.4 shall be originated and managed as if they were being made under the existing California Self Help Housing Program and the existing Senior Shared Housing Program, respectively, subject to the above specified special condition with respect to the~~

1 ~~Senior Shared Housing Program. The department may~~
2 ~~use up to 5 percent of the grant funds appropriated for the~~
3 ~~purposes of this chapter to cover reasonable~~
4 ~~administrative costs.~~

5 ~~50650.6. (a) All loans made from funds allocated to~~
6 ~~this chapter shall bear simple interest at the rate of 3~~
7 ~~percent per year and loan repayments may be deferred~~
8 ~~if required to maintain continued occupancy or~~
9 ~~ownership by low income households.~~

10 ~~(b) For loans to individual households, the~~
11 ~~department shall establish loan payment terms that do all~~
12 ~~of the following:~~

13 ~~(1) Provide a financial incentive for occupancy by the~~
14 ~~assisted household for at least five years.~~

15 ~~(2) Allow for assistance to low and very low income~~
16 ~~households.~~

17 ~~(3) Prevent assisted households from realizing~~
18 ~~windfall gains.~~

19 ~~(4) Result in low administrative costs.~~

20 ~~(c) To achieve the objectives in subdivision (b), the~~
21 ~~department may forgive all or a portion of the interest on~~
22 ~~a loan.~~

23 ~~50650.7. (a) The department may establish per unit~~
24 ~~and per project loan limits.~~

25 ~~(b) The department may establish loan-to-value~~
26 ~~requirements.~~

27 ~~50650.8. All awards made pursuant to this chapter~~
28 ~~shall be conditioned on Homeownership Assistance~~
29 ~~Program funds being matched by grantees with at least~~
30 ~~equal amounts of local, federal, or private funds, other~~
31 ~~cash investments, or in-kind contributions.~~

32 ~~50650.9. Applications for loans shall be evaluated~~
33 ~~based on threshold and competitive rating criteria.~~
34 ~~Threshold criteria shall include the capacity of the~~
35 ~~applicant to implement the activity being proposed.~~
36 ~~Rating criteria shall include the extent to which the~~
37 ~~activity provides homeownership opportunities for~~
38 ~~households at the lowest income levels, consistent with~~
39 ~~project economic feasibility.~~

~~50650.10. If an appropriation to be administered pursuant to any single subdivision of Section 50650.4 is ten million dollars (\$10,000,000)~~

50650.3. Funds appropriated for purposes of this chapter shall be used to enable low- and very low-income households to become or remain homeowners. Funds shall be provided by the department to local public agencies or nonprofit corporations as either grants for programs that assist individual households or loans that assist multi-unit development projects. Grant funds may be used for technical assistance for self-help and senior shared housing homeownership, or to provide loans to individual households for first-time homebuyer downpayment assistance, home rehabilitation, or home acquisition and rehabilitation programs. Loan funds may be used for land purchase, site development, predevelopment, and construction period expenses incurred on homeownership development projects, and permanent financing for mutual housing or cooperative developments. Upon completion of construction, the department may convert project loans into grants for programs of assistance to individual homeowners. Financial assistance provided to individual households shall be in the form of deferred payment loans, repayable upon sale or transfer of the homes, when they cease to be owner-occupied, or upon the loan maturity date. All loan repayments shall be used for activities allowed under this section.

50650.4. To be eligible to receive a grant or loan, local public agencies or nonprofit corporations shall demonstrate sufficient organizational stability and capacity to carry out the activity for which they are requesting funds, including where applicable, the capacity to manage a portfolio of individual loans over an extended time period. Capacity may be demonstrated by substantial successful experience performing similar activities, or through other means acceptable to the department. In allocating funds, the department shall utilize a competitive application process, using weighted evaluation criteria, including, but not limited to, the

1 extent that the program and project utilizes volunteer or
2 self-help labor; trains youth in construction skills, or
3 involves community participation.

4 50650.5. For the purposes of this chapter, mutual
5 housing and cooperative housing shall be deemed to be
6 forms of homeownership. For these project types: (a)
7 program funds shall be used for project development
8 costs only; (b) the department shall enter into a
9 regulatory agreement limiting occupant incomes,
10 occupancy charges, and share purchase terms for 55
11 years; and (c) notwithstanding Section 50650.3, program
12 assistance shall be provided in the form of a deferred
13 payment loan.

14 50650.6. The department may use up to 5 percent of
15 the funds appropriated for the purposes of this chapter
16 for its costs in administering the program.

17 50650.7. For appropriations of fifteen million dollars
18 (\$15,000,000) or less, the department may administer the
19 funds using guidelines that shall not be subject to the
20 Administrative Procedure Act (Chapter 3.5
21 (commencing with Section 11340) of Part 1 of Title 2 of
22 the Government Code). If an appropriation ~~to be~~
23 ~~administered pursuant to a single subdivision of Section~~
24 ~~50650.4~~ exceeds that amount, the department may
25 administer the funds using guidelines for ~~15~~ 24 months,
26 during which time those guidelines shall not be subject to
27 the Administrative Procedure Act.

28 50560.8. Not less than 20 percent of the funds granted
29 pursuant to this chapter shall be allocated to rural areas.
30 For purposes of this chapter, "rural area" shall have the
31 same meaning as in Section 50199.21.